

**LEGISLATIVE DIGEST**

[Charter Amendment - Rainy Day Reserves]

**Describing and setting forth a proposal to the voters to amend the Charter of the City and County of San Francisco to create a City Rainy Day Reserve and School Rainy Day Reserve out of the existing Rainy Day Reserve at an election to be held on November 4, 2014.**

Existing Law

The City has a Rainy Day Reserve Fund (the “Reserve”). In any year when the City collects over five percent more money than it collected in the previous year, the City deposits half of this money in the Reserve. The City may only take money out of the Reserve when it collects less money than it did in the previous year. The City may give up to one quarter of the Reserve to the San Francisco Unified School District (the “School District”) when the District collects less money per student than in the previous year and plans significant layoffs, but the City is not required to do so.

Amendments to Current Law

The proposal is a Charter amendment that would divide the existing Rainy Day Reserve into a City Rainy Day Reserve (the “City Reserve”) and a School Rainy Day Reserve (the “School Reserve”). In any year when the City collected over 5 percent more money than it collected in the previous year, the City would deposit half of this money in the two reserves, with three quarters of that amount going to the City Reserve and one quarter going to the School Reserve. So in a year when the City’s revenues grew by more than 5 percent over the previous year, for every \$100.00 the City collected over that threshold, it would deposit \$37.50 in the City Reserve and \$12.50 in the School Reserve.

Under the proposal, the School District would have the right to withdraw, and the City would be required to pay out, money from the School Reserve in years when the District expected to collect less money per student than in the previous year and would otherwise have to layoff a significant number of employees to balance its budget. Generally, the School District could only withdraw up to half the current balance in the School Reserve but no more than the amount of the anticipated revenue shortfall. But the School District could, by a two-thirds’ vote of the School Board, decide to withdraw a larger amount for a given year or to make a withdrawal in a year when there was not a projected revenue shortfall or a significant number of layoffs.

The City would transfer half the balance of the existing Rainy Day Reserve to the City Reserve and half to the School Reserve.

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